

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC

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FIRST-CLASS PACKAGE SERVICE (FCPS) :
SERVICE STANDARD CHANGES, 2021 : Docket No. N2021-2
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**STATEMENT OF POSITION OF THE
NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO**

The National Association of Letter Carriers, AFL-CIO (“NALC”) submits this statement of position in the above-captioned docket.

NALC is the collective bargaining representative of 210,000 City Letter Carriers employed by the U.S. Postal Service. We offer this statement of position as a major mailer of communications with our 280,000 active and retired members and our 1,870 local branches, as well as an administrator of a national health benefit plan. In addition, we intervene as a representative of members who receive prescription drugs through the mail and as a major stakeholder in the postal industry with a direct interest in the financial stability and long-term health of the Postal Service as a public service enterprise – an interest that could be put at risk by the subject of this docket.

As a customer of the Postal Service as both a union and a health plan administrator, with frequent mailings to all 50 states as well as to all of America’s territories, NALC supports both speed and reliability. Slowing the delivery of mail and packages will hinder our ability to conduct business as usual. For example, as administrator of the NALC Health Benefit Plan, which encourages its members to receive prescription drugs through the

mail, NALC opposes any downgrades in service to First-Class Package Service (FCPS), which will adversely affect our pharmaceutical mailings. Our 210,000 active members and 70,000 retired members depend on the prompt delivery of prescription drugs.

As a stakeholder in the Postal Service, we are not in favor of the proposed slower service standards for four reasons. First, the Postal Service's major customers and the American public have expressed strong opposition to downgrades in service. While NALC commends the Postal Service for expanding the two-day service standard for FCPS given that the package market has come to centrally value one-to-two-day delivery, lengthening service standards for any portion of this volume diminishes this progress. The same holds for FCPS pharmaceutical volume.

Second, the potential damage to the Postal Service's brand of reducing the quality of service at a time when the agency is using its much needed expanded authority to raise postage rates, could be significant and could trigger greater volume losses than those suggested by price elasticities calculated many years ago. The Postal Service's high favorability rating with the American public, which exceeded 90 percent across all major demographic categories in 2020, is one the agency's greatest assets. It should not be squandered. Reducing delivery speed for popular and growing products threatens this.

Third, the Postal Service proposal is based on the same model that was critiqued by the Commission in Docket No. N2021-1. In its Advisory Opinion on Service Changes Associated with First-Class Mail and Periodicals, the PRC found:

“...that improvements in transportation efficiency modeled by reducing the volume transported by air and reduction in surface miles...lack confidence because the model is not grounded in reality; namely, the modeled base case of the current transportation network is notably more efficient than the current network. The mismatch between the baseline modeled network and the actual

current network costs (FY 2020) limits the Commission's confidence in the estimate of efficiency gains from the modeling process."

https://www.prc.gov/docs/119/119311/Docket%20No.%20N2021-1_Advisory%20Opinion.pdf

This calls into question both the projected effect on FCPS volume and the Postal Service's ability to achieve the projected cost savings from the proposed FCPS service standards.

Finally, as a matter of long-term strategy, even if the model used by the USPS accurately predicts possible savings, the minimal level of such savings as a result of lowering the service standards do not appear to be worth the potential damage to the agency's brand. Those savings are remarkably paltry – a net savings of just \$55 million annually represents a fraction of one percent of current operating costs.

As we did in Docket No. N2021-1, NALC urges the Board of Governors to reconsider these proposed new service standards as it continues to implement its Delivering for America strategic plan. As it seeks to balance service quality and cost considerations going forward, we call on the Board to revisit the 10-year plan and to aim higher for revenue-generating product innovation. It should also look to further public policy reforms to strengthen the Postal Service's finances. Improving the way we invest the Postal Service's \$330 billion in retirement fund assets, now by law invested in low-yielding Treasury securities, would generate far greater reductions in USPS operating expenses (via reduced pension amortization payments and a bolstered Postal Service Retiree Health Benefits Fund) than the proposed service standard changes. NALC supports the main elements of the strategic plan and is working with the Postal Service to innovate and improve service.

Dated: August 19, 2021

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Respectfully submitted,

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